

12788-A
RECORDATION NO. _____ Filed 1428

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RECORDATION NO. _____ Filed 1428

CHEMLEASE WORLDWIDE, INC. JAN 21 1981 -2 50 PM

55 Water Street, New York, N.Y. 10037

INTERSTATE COMMERCE COMMISSION

JAN 21 1981 -2 50 PM
INTERSTATE COMMERCE COMMISSION
1-021A135

Interstate Commerce Commission

Room 2303

Constitution Avenue at 12th Street, N.W.
Washington, D.C. 20023

Attention: Ms. Lee

No. _____
JAN 21 1981
Date.....
Fee \$.....

Re: ICC filing of Lease No. 12773
American Leasing Investors II

Dear Sirs:

Pursuant to Section 20c of the Interstate Commerce Act and the Commission's rules and regulations thereunder, as amended, I enclose herewith for filing and recordation three copies of each of the following documents:

- (1) Security Agreement dated January 20, 1981 between Chemical Business Credit Corp. and Amercian Leasing Investors, II.
- (2) Assignment dated January 20, 1981, between American Leasing Investors, Inc. and ChemLease Worldwide, Inc.

The names and addresses of the parties to the aforementioned documents are as follows:

(1) Security Agreement:

(a) Secured Party:

Chemical Business Credit Corp.
55 Water Street
New York, N.Y. 10087; and

(b) Debtor:

American Leasing Investors II
c/o Integrated Resources, Inc.
666 Third Avenue
New York, N.Y. 10017
Attention: Stephen Mintz, Esq.

(2) Assignment:

(a) Assignor:

American Leasing Investors, II
c/o Integrated Resources, Inc.
666 Third Avenue
New York, N.Y. 10017
Attention: Stephen Mintz, Esq., and

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JAN 21 2 45 PM '81
I.C.C.
FEE OPERATION BR.

ChemLease Worldwide, Inc. - Kenneth E. Plagen

(a) Assignee:

ChemLease Worldwide, Inc.
55 Water Street
New York, N.Y. 10087; and

Pursuant to the Security Agreement, the Debtor has granted to the Secured Party a security interest in the following units of equipment and in certain other collateral described in the Security Agreement:

Fifty (50) 100 ton, 4750 cubic foot Hopper Cars bearing road numbers MILW/102250 through 102299, both inclusive.


Pursuant to the Assignment, the Assignor has assigned to the Assignee the Assignor's right, title and interest in, to and under the Security Agreement, including its security interest in the above described units of railroad equipment.

Please file and record the Security Agreement and the Assignment, assigning the Assignment the same recordation number as the Security Agreement, cross-indexing said documents one to the other and indexing said documents under the names of the Secured Party, the Assignee, the Debtor, and the certain lessees of the above described units of railroad equipment.

The enclosed documents are being presented for recordation concurrently with the presentation for recordation of certain other documents to which the Secured Party and the Assignee are also parties, and checks are being presented for the aggregate fee for recording all such documents pursuant to 49 CFR 1116.1.

Please stamp all three copies of each of the two enclosed documents and the attached copy of this transmittal letter with your official recording stamp. You will wish to retain two copies of each of the two documents and the original of this transmittal letter for your files. It is requested that the one remaining copy of each of the two documents and of this transmittal letter be delivered to the bearer of this letter.

Very truly yours,


Jeffrey B. Reitman,
Vice President and Secretary

Interstate Commerce Commission
Washington, D.C. 20423

1/21/81

OFFICE OF THE SECRETARY

Jefferson B. Reitman
Chemlease Worldwide Inc.
55 Water Street
New York, N.Y. 10041

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Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **1/21/81** at **2:50pm**, and assigned re-recording number(s). **12788 & 12788-A**

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

12788
RECORDATION NO. _____ FILED 1225

JAN 21 1981 -2 50 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT dated January 21, 1981
(hereinafter called the "Agreement") between
AMERICAN LEASING INVESTORS II, a California
limited partnership (hereinafter called the
"Debtor"), and CHEMLEASE WORLDWIDE, INC., a New
York corporation (hereinafter called the "Secured
Party").

The Debtor has requested that the Secured Party
make a loan to the Debtor (hereinafter called the "Loan"),
to be evidenced by a promissory note to be issued by the
Debtor (hereinafter called the "Note") payable to the order
of the Secured Party. The proceeds of the Loan will be
used by the Debtor to finance a portion of the purchase
price of the units of railroad equipment described in
Schedule A attached hereto, which will be utilized by the
Debtor subject to the terms of this Agreement. In order to
induce the Secured Party to make the Loan, the Debtor has
agreed to secure to the extent hereinafter set forth (a)
the payment in full of principal of and interest on the
Note when and as the same shall become due and payable
whether at the stated date for the payment or otherwise and
(b) the due and punctual payment of all other monetary
obligations of the Debtor to the Secured Party pursuant to
the Note and this Agreement (such principal, interest and
obligations being hereinafter called the "Obligations").

Accordingly, the Debtor and the Secured Party hereby agree as follows:

ARTICLE ONE
Grant of Security

SECTION 1.01. Grant of Security. The Debtor in consideration of the premises and of the sum of Ten Dollars (\$10) received by the Debtor from the Secured Party and other good and valuable consideration, the receipt and adequacy whereof is hereby acknowledged, and in order to secure the payment of the Obligations and the performance and observance of all covenants and conditions in the Note and in this Security Agreement contained, does hereby transfer, assign, grant, bargain, sell, convey, hypothecate, and pledge to the Secured Party, its successors and assigns, a security interest in all right, title, interest, claims and demands of the Debtor which presently exist or which may hereafter arise, in, to and under the following (all of the properties in which the Secured Party is hereby granted a security interest being hereinafter called collectively the "Collateral"):

(a) the units of railroad equipment described in Schedule A attached hereto, together with (i) any and all accessories, equipment, parts and improvements now or at any time hereinafter attached or appertaining to such units,

except such thereof as remain the property of the Lessee under the Lease (as hereinafter defined); (ii) any and all substitutions, renewals and replacements for, and any additions, accessions and accumulations to, any and all of such units; and (iii) to the extent not included in the preceding clauses (i) and (ii), all rental, issues, income and profit from such units (such units of railroad equipment, together with such accessories, equipment, parts, improvements, substitutions, replacements, additions, accessions and accumulations being hereinafter called collectively the "Equipment" and severally a "Unit of Equipment");

(b)(i) the Assignment of Lease Agreement (hereinafter called the "Assignment of Lease") dated as of December 19, 1980 by and between Brae Railcar Management, Inc. , a California corporation (hereinafter called "Brae"), and the Debtor, (ii) the Lease Agreement (hereinafter called the "Lease") dated December 4, 1980 by and between Brae and Richard B. Ogilvie, Trustee of the property of Chicago, Milwaukee, St. Paul and Pacific Railroad Company (hereinafter called the "Lessee"), subject to the Lessee's rights thereunder, and (iii) the Management Agreement (hereinafter called the "Management Agreement") dated December 19, 1980 by and between Brae and the Debtor, including all extensions

of the terms thereof, together with all rights, powers, privileges, options and other benefits of the Debtor under the Lease and the Management Agreement, including without limitation:

(A) the immediate and continuing right to receive and collect all rentals, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable or receivable by the Debtor under the Lease or the Management Agreement;

(B) the right to make all waivers and agreements and to enter into any amendments relating to the Lease or the Management Agreement or any provision thereof; and

(C) the right to take such action upon the occurrence of an Event of Default under the Lease or the Management Agreement, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease and the Management Agreement or by law, and to do any and all other things whatsoever which the Debtor or any lessor or owner, as the case may be, is or may be entitled to do under the Lease or the Management Agreement; and

(c) subject to the terms and conditions of ARTICLE THREE hereof, the Escrow Fund (as defined in SECTION 3.02 hereof), as such Fund shall change from time to time in accordance with such terms and conditions;

it being the intent and purpose hereof that the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect; provided, however, that the Secured Party shall have the right to collect and receive all such rental and other sums for application only in accordance with the provisions of SECTIONS 3.01, 4.03 and 5.01 hereof at all times during the period from and after the date of this Agreement until the Obligations have been fully paid and discharged.

SECTION 1.02. Limitations to Security Interest.

The security interest granted by this SECTION 1 is subject to (i) the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is contested in good faith and does not, in the opinion of the Secured Party, threaten its security interest hereunder (hereinafter collectively called the "Permitted Encumbrances") and (ii) the rights of the Lessee under the Lease.

SECTION 1.03. Duration of Security Interest.

The security interest granted by the Debtor in and to the Collateral shall remain in effect at all times until the Debtor shall pay or cause to be paid all the Obligations and shall observe and perform all the terms, conditions and agreements contained in this Agreement and the Note.

ARTICLE TWO
Representations, Warranties and Covenants

SECTION 2.01. Representations and Warranties.

The Debtor represents and warrants to the Secured Party that:

(a) (i) the Debtor is the record and beneficial owner of all right, title and interest in the Collateral free and clear of all liens, charges and encumbrances (excepting only the Permitted Encumbrances), (ii) the Debtor has full right and power to grant a security interest in the Collateral to the Secured Party free of any contractual provision binding on the Debtor or his assets, and (iii) without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed or permitted to be filed or recorded covering any of the Collateral (except (A) the financing statements or other instruments filed or to be filed in respect of the security interest provided herein and (B) the filing of the Lease, the Manage-

ment Agreement and the Assignment of Lease with the Interstate Commerce Commission);

(b) the Debtor is a limited partnership, duly organized, validly existing and in good standing in the State of California;

(c) the execution, delivery and performance by the Debtor of the Loan Documents has been duly authorized by all necessary action on the part of the Debtor and are not inconsistent with the Debtor's Agreement or Certificate of Limited Partnership, do not contravene any law or governmental rule, regulation or order applicable to it, do not and will not contravene any provision of, or constitute a default under any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound, and the Loan Documents constitute the legal, valid and binding agreements of the Debtor, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other laws affecting the rights of creditors generally;

(d) no consent or approval of, giving of notice, to, registration with, or taking of any other action in respect of, any Federal, state or other governmental authority or agency is required with respect to the execution, delivery and performance by the Debtor of the Loan Documents or, if any

such approval, notice or registration or action is required, it has been obtained; and

(e) there are no actions, suits or proceedings pending or threatened against or affecting the Debtor in any court or before any governmental commission, board or authority which, if adversely determined, will have a material adverse effect on the ability of the Debtor to perform its obligations under the Loan Documents.

SECTION 2.02. Covenants. The Debtor unconditionally covenants and agrees with the Secured Party as follows:

(a) the Debtor will promptly cause this Security Agreement and each supplement or amendment hereto to be duly filed and recorded with the Interstate Commerce Commission in accordance with Section 11303(a) of The Interstate Commerce Act. The Debtor will do, execute, acknowledge, deliver, file, register and record all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the better assuring, conveying, assigning and confirming unto the Secured Party all of the Collateral or property intended so to be, whether now owned or hereafter acquired;

(b) the Debtor shall not encumber or grant a security interest in or file a financing statement covering

the Collateral, or permit any of the foregoing, without the prior written consent of the Secured Party except as required hereunder;

(c) the Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances reasonably necessary or proper for the perfection of the security interest in the Collateral herein provided for;

(d) the Debtor will not sell, mortgage, transfer or assign (other than to the Secured Party hereunder) its interest in the Collateral or in any part thereof or in any amount to be received by it from the use or disposition of the Equipment or with respect to the Collateral;

(e) the Debtor will cause the Equipment and each and every part thereof to be maintained, preserved and kept in safe and good repair, working order and condition, ordinary wear and tear excepted, and will from time to time make or cause to be made all necessary and proper repairs, renewals, and replacements so that the value and efficiency of such property shall not be impaired, ordinary wear and tear excepted;

(f) the Debtor will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges lawfully imposed upon

or against the Collateral or any part thereof, and will not suffer to exist any mechanics', laborers', statutory or other lien on the Collateral or any part thereof; provided, however, that nothing herein contained shall be deemed to require the Debtor to pay any tax, assessment, charge or lien, or any claim or demand of mechanics, laborers or others, prior to the due date thereof, or to require the Debtor to pay or discharge any tax, assessment, lien, claim or charge (whether or not due or delinquent), the validity or amount of which is being contested in good faith by appropriate proceedings and which has been adequately reserved against; provided, however, that the Debtor will pay or discharge such tax, assessment, lien, claim or charge if seizure of the Collateral is imminent or if the security interest granted hereunder is threatened in the opinion of the Secured Party;

(g) the Debtor will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Lease or the Management Agreement if any officer of the managing general partner of the Debtor has actual knowledge of such event or condition;

(h) the Debtor will at its own expense duly comply with and perform all covenants and obligations of the Debtor under the Lease and the Management Agreement and will at its own expense seek to cause (i) the Lessee to comply with and

observe all the terms and conditions of the Lease and (ii) Brae to comply with and observe all the terms and conditions of the Management Agreement and, without limiting the foregoing, at the request of the Secured Party, the Debtor will at its own expense take such action with respect to the enforcement of (A) the Lease, and the duties and obligations of the Lessee thereunder or (B) the Management Agreement, and the duties and obligations of Brae thereunder, as the Secured Party may from time to time reasonably direct;

(i) the Debtor will permit the Secured Party to examine its books and records with respect to the Collateral during regular business hours upon reasonable notice to the Debtor;

(j) the Debtor shall not change, or permit to be changed, the identifying letters and numbers of the Equipment from such identifying letters and numbers set forth in Schedule A hereto, except in accordance with a statement of new numbers to be substituted therefor which previously shall have been delivered to the Secured Party and which shall be filed and recorded by the Debtor in like manner as this Agreement;

(k) the Debtor will at all times prior to the return of the Equipment to the Secured Party, at its own

expense, cause to be carried and maintained public liability insurance with respect to third party personal injury and property damage and property insurance in respect of the Equipment at the time subject hereto. The Debtor will carry such insurance in such amounts (in the case of public liability insurance, not less than \$25,000,000 for any one occurrence), for such risks, with such deductibles and with such insurance companies, satisfactory to the Secured Party and, in any event, consistent with prudent industry practice and at least comparable in amounts and against risks customarily insured against by the Debtor in respect of equipment owned or leased by it similar in nature to the Equipment. The proceeds of any such insurance shall be payable to the Secured Party so long as the Obligations, if any, shall not have been paid in full and such proceeds shall be applied and disbursed in accordance with ARTICLE FIVE hereof. Any policies of insurance carried in accordance with this paragraph shall require thirty (30) days' prior written notice of cancellation or material change in coverage to the Secured Party, and not be a part of an umbrella policy containing any aggregate coverage limitations. On the date hereof the Debtor has delivered to the Secured Party certificates issued by the insurer(s) for the insurance required to be maintained pursuant to this SECTION (k), the receipt and sufficiency of which are hereby acknowledged by

the Secured Party. The Debtor shall promptly deliver to the Secured Party certificates issued by the insurer(s) for any insurance hereafter obtained in renewal of or in substitution for the insurance policies referred to in such certificates.

ARTICLE THREE
Application of Proceeds and Establishment of Escrow Fund

SECTION 3.01. Application of Proceeds. The Secured Party shall be entitled to collect, receive and retain, when due, all sums due under or on account of the Collateral, including, without limitation, all rent due under the Lease. Unless and until an Event of Default has occurred or is continuing, all such sums received by the Secured Party shall be disbursed and applied by the Secured Party as follows and in accordance with the following priorities:

(a) all monthly rent received by the Secured Party under the Lease:

(i) first, to the Secured Party an amount equal to the installment payment due under the Note during such month, which amount shall be applied by the Secured Party in payment of such installment payment;

(ii) second, to the Secured Party an amount equal to the difference between (A) the balance required to be maintained in the Escrow Fund during such month as set forth on Schedule 1 hereto and (B) the amount then on deposit in the Escrow Fund, which amount shall be deposited by the Secured Party in the Escrow Fund; and

(iii) third, the balance, if any, shall be promptly (but in any event within three (3) business days after the receipt by the Secured Party of good funds in respect of such rental proceeds) disbursed to the Debtor or such other person as the Debtor shall designate by written notice to the Secured Party.

(b) all other sums received by the Secured Party under or on account of the Collateral:

(i) first, for the purposes for which such sums were paid pursuant to the provisions of the documents which comprise the Collateral (including, without limitation, payment thereof to the Debtor if any such sums are paid to reimburse or indemnify the Debtor as provided in the Collateral); and

(ii) second, the balance if any, shall be promptly (but in any event within three (3) business days after the receipt by the Secured Party of good funds in respect of such sums) disbursed to the Debtor or such other person as the Debtor shall designate by written notice to the Secured Party.

SECTION 3.02. Escrow Fund. On the date hereof, the Debtor shall deposit \$148,999.44 in a cash collateral account established with the Secured Party. Such fund (hereinafter called the "Escrow Fund") shall be subject to the following terms and conditions:

(a) The Debtor hereby agrees to maintain the balance of the Escrow Fund in the manner set forth in paragraph (b) of this SECTION 3.02 in the amounts set forth, and during the periods specified, on Schedule 1 hereto.

(b) From the date hereof until the date the twelfth (12th) monthly installment payment is due under the Note, if, on any given date, after giving effect to all withdrawals made from the Escrow Fund pursuant to SECTION 3.02(e) hereof and all deposits made to the Escrow Fund pursuant to SECTIONS 3.01(b) and 3.02(c) hereof, the balance in the Escrow Fund is less (for any reason) than that which

is required on the most recent date set forth on Schedule 1 hereto, the Debtor, upon five (5) days' written notice, shall deposit an amount sufficient to restore such balance. From and after the date on which the twelfth (12th) monthly installment payment is due under the Note, any deficiencies in the amount required to be on deposit in the Escrow Fund shall only be restored out of funds required to be deposited in the Escrow Fund pursuant to SECTION 3.01(b) hereof.

(c) The amount on deposit in the Escrow Fund, from time to time, will earn interest (computed on the basis of twelve (12) equal months of thirty (30) days each) at the rate of 16% per annum. From the date hereof, interest earned on the funds on deposit in the Escrow Fund shall be applied and disbursed by the Secured Party monthly, on the day of each month the rent then due under the Lease is received by the Secured Party (hereinafter called the "Rent Day"), commencing the Rent Day of the first full month after the date hereof, as follows:

(i) first, to the Secured Party, an amount equal to the difference between (A) the balance required to be maintained in the Escrow Fund during such month as set forth on Schedule 1 hereto and (B) the amount then on deposit in the Escrow Fund, which amount shall be deposited by the Secured Party in the Escrow

Fund; and

(ii) second, the balance, if any, shall be paid over to the Debtor.

(d) Commencing on the Rent Day in respect of the month in which the fifth (5th) installment payment is due under the Note and on each Rent Day thereafter in respect of a month in which an installment is due under the Note to and including the Rent Day in respect of the month in which the twelfth (12th) installment is due under the Note, after making the withdrawal, if any, from the Escrow Fund to make the payments contemplated by SECTION 3.02(e)(i) hereof on account of the installment due under the Note in respect of such month, the Secured Party shall withdraw from the Escrow Fund and pay over to the Debtor an amount equal to the difference, if any, between (i) the amount then on deposit in the Escrow Fund and (ii) the amount required to be on deposit in the Escrow Fund as set forth on Schedule 1 hereto during the month in which such payment, if any, to the Debtor is being made.

(e) Except as otherwise expressly provided in this Agreement, so long as no Event of Default (as herein-after defined) has occurred and is continuing, the Secured Party shall only withdraw from the Escrow Fund the following amounts for the following purposes:

(i) in the event that the rent received by the Secured Party pursuant to the Lease on the due date thereof is less than the installment payment due under the Note on such date, the Secured Party shall withdraw an amount equal to the lesser of (A) the difference between the installment due under the Note and the amount of rent so received or (B) the funds then on deposit in the Escrow Fund, which amount, in either case (A) or (B), shall be applied to the payment of such installment due under the Note; and

(ii) in the event that the Debtor fails to make any payment required to be made by the Debtor pursuant hereto or to the Lease on account of insurance, maintenance or taxes relating to the Collateral, the Secured Party, if it elects to make any such payment on behalf of the Debtor in order to preserve or protect its interest in the Collateral, shall be entitled to withdraw an amount equal to any such payment made or to be made by the Secured Party to reimburse itself for any such payment made by it or to make any such payment.

(f) Notwithstanding anything to the contrary contained in this SECTION 3.02 or Schedule 1 hereto, in the event of any prepayment of the Note pursuant to SECTION 5.01(c) hereof, the respective amounts required to be

maintained in the Escrow Fund shall be reduced to amounts equal to the product of (i) the respective amounts set forth on Schedule 1 hereto and (ii) a fraction, the numerator of which is the number of Units of Equipment then subject to this Agreement and the denominator of which is the number of Units of Equipment subject to this Agreement on the date of execution and delivery hereof. Upon the making of any such prepayment pursuant to SECTION 5.01(c) hereof, if the amount on deposit in the Escrow Fund exceeds the amount required to be on deposit after the adjustment provided for in the preceding sentence, the excess shall be promptly withdrawn by the Secured Party and paid over to the Debtor.

(g) Upon payment in full of all monies due under the Note, the Secured Party shall promptly remit to the Debtor all sums which are on deposit in the Escrow Fund on the date of such final payment.

ARTICLE FOUR Events of Default; Remedies

SECTION 4.01. Events of Default. The happening of any of the following events (hereinafter called "Events of Default") shall constitute default hereunder:

(a) if, after the application of funds in the Escrow Fund by the Secured Party pursuant to SECTION 3.02(e)(i)

hereof, any amount due under the Note (whether at the stated date for the payment thereof, by acceleration or by notice of prepayment or otherwise) shall remain unpaid for the lesser of (i) five (5) business days after receipt by the Debtor of written notice that such sum is overdue or (ii) fifteen (15) days after the due date thereof;

(b) the Debtor shall fail to deposit any amount required to be deposited in the Escrow Fund pursuant to the provisions hereof within fifteen (15) days after receipt of written notice from the Secured Party that such deposit is required;

(c) any representation or warranty made herein or in any certificate delivered in connection herewith shall prove to be false or misleading in a manner that causes a material adverse effect on the Collateral or the Secured Party's interest therein;

(d) default shall be made in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor pursuant to the terms hereof and (i) such default shall not be cured within thirty (30) days after the Debtor's receipt of written notice thereof from the Secured Party or (ii) the Debtor has not commenced and proceeded diligently to cure such default within thirty (30) days after the Debtor's receipt of written notice thereof

from the Secured Party, provided, that, in no event shall this clause (ii) prevent an Event of Default for more than forty-five (45) days after the Debtor's receipt of written notice of such default;

(e) the Debtor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of his property, (ii) admit in writing his inability to pay his debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law or if action shall be taken by the Debtor for the purpose of effecting any of the foregoing;

(f) an order, judgment or decree shall be entered, without the application, approval or consent of the Debtor by any court of competent jurisdiction, appointing a receiver, trustee or liquidator of the Debtor and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days;

(g) subject to paragraph (h) below, the Lessee shall fail to satisfy, perform or observe any of its liabilities, obligations or undertakings under the Lease (other than certain rent obligations described in paragraph (h) below) and such failure shall continue for thirty (30) days after receipt by the Debtor of written notice thereof sent by the Debtor to the Lessee or by the Secured Party to the Debtor and the Lessee;

(h) the Lessee shall default in its rent obligations under the Lease, other than those rent obligations referred to in Paragraph 2 of Rider 1 to the Lease, and such defaults shall continue for the lesser of (i) five (5) days after receipt by the Lessee of written notice that such sum is overdue or (ii) fifteen (15) days after the due date thereof; or

(i) The Lease shall be terminated pursuant to the fourth paragraph of Section 17 thereof and the Debtor shall not have re-leased the Equipment within ninety (90) days after such termination to a new lessee, such new lease and new lessee having been previously approved in writing by the Secured Party in its sole discretion.

If an Event of Default shall occur, the Secured Party may, by notice in writing delivered to the Debtor,

declare the unpaid principal of the Note to be due and payable, and thereupon the same, together with accrued interest thereon, shall become and be immediately due and payable.

SECTION 4.02. Remedies. In case of the happening of any Event of Default, the Secured Party may, subject always to the then existing rights, if any, of the Lessee under the Lease, personally or by its agent enter upon the premises of the Debtor (or other party having or acquiring the possession or use of the Equipment) where any of the Equipment may be and take possession of all or any part of the Equipment and withdraw the same from said premises, retaining all payments which up to that time may have been made on account of rental for the Equipment and otherwise, and shall be entitled to collect, receive and retain all unpaid rental and other charges of any kind earned by the Equipment, and may lease or otherwise contract for use of any of the Equipment; or the Secured Party may, subject always to the then existing rights, if any, of the Lessee under the Lease, with or without retaking possession, sell any of the Equipment, by Bill of Sale executed pursuant to SECTION 6.01 hereof, free from any and all claims of the Debtor at law or in equity, in one lot and as an entirety or in separate lots, at public or private sale for cash or upon

credit in the discretion of the Secured Party, and may proceed otherwise to enforce its rights, all subject to any mandatory requirements of law applicable thereto. Upon any such sale, the Secured Party may itself bid for the property offered for sale or any part thereof. Any such sale may be held or conducted at such place and at such time as the Secured Party may specify, or as may be required by law, and without gathering at the place of sale the Equipment to be sold, and in general in such manner as the Secured Party may determine.

In case of the happening of an Event of Default, the Secured Party also may, subject always to the then existing rights, if any, of the Lessee under the Lease, proceed to exercise in respect of the Lease and the property covered thereby and the duties, obligations and liabilities of the Lessee thereunder, all rights, privileges and remedies in the said Lease or by applicable law permitted or provided to be exercised by the Debtor, including, but not limited to, the right to receive and collect all rent and other moneys due or to become due thereunder and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party. The Secured Party may sell the rentals reserved under the Lease, and all right, title and interest

of the Secured Party with respect thereto, at public auction to the highest bidder and either for cash or on credit, the Secured Party to give the Debtor prior written notice of the time and place of holding any such sale, and provided always that the Secured Party shall also comply with any applicable mandatory legal requirements in connection with such sale.

Any sale or sales pursuant to the provisions hereof, whether under the power of sale granted hereby or pursuant to any legal proceedings, shall operate to divest the Debtor of all right, title, interest, claim and demand whatsoever, either at law or in equity, of, in and to the Collateral so sold, and shall be free and clear of any and all rights of redemption by, through or under the Debtor, (subject always to the then existing rights, if any, of the Lessee under the Lease), the Debtor hereby covenanting and agreeing that it will not at any time insist upon or plead, or take the benefit or advantage of or from, any law now or hereafter in force providing for a valuation or appraisalment of the Collateral prior to any sale or sales thereof or providing for any right to redeem the Collateral or any part thereof. The receipt by the Secured Party, or by any person authorized under any judicial proceeding to make any such sale, shall be a sufficient discharge to any purchaser of the Collateral, or of any part thereof, sold as aforesaid;

and no such purchaser shall be bound to inquire as to the authorization, necessity or propriety of any such sale. In the event at any such sale the holder of the Note is the successful purchaser, such holder of said Note shall be entitled, for the purpose of making settlement or payment, to use and apply said Note by crediting thereon the amount apportionable and applicable thereto out of the net proceeds of such sale.

SECTION 4.03. Application of Proceeds. If the Secured Party shall exercise any of the powers conferred upon it by SECTIONS 4.01 and 4.02 hereof, all payments made by the Debtor to the Secured Party, and the proceeds of every sale or lease by the Secured Party of all or any of the Collateral, together with any other sums which may then be held by the Secured Party under any of the provisions hereof, shall be applied by the Secured Party to the payment in the following order of priority: (a) of all proper charges, expenses or advances made or incurred by the Secured Party in accordance with the provisions of this Agreement, including, without limitation, all reasonable expenses incurred on an Event of Default, (b) of the interest then due and of the principal of the Note, whether or not the Note shall have matured by its terms, all such payments to be in full if such proceeds shall be sufficient, and if not sufficient, then, first to interest and the balance, if

any, to principal, and (c) of amounts, if any, due to the Secured Party pursuant to SECTION 4.04 hereof. In the event that, after applying all such sums of money realized by the Secured Party as aforesaid, there shall remain a surplus in the possession of the Secured Party, such surplus shall be paid to the Debtor.

SECTION 4.04. Additional Amounts Due to Secured Party in Certain Circumstances. In the event that within twelve (12) months from the date hereof, upon an Event of Default, the Secured Party shall sell the Collateral pursuant to SECTION 4.02 hereof, in addition to the amounts to which the Secured Party is entitled out of the proceeds of such sale, such amounts being described in clauses (a) and (b) of SECTION 4.03 hereof, the Secured Party shall also be entitled to retain an amount which results in an overall yield to the Secured Party of 18% per annum from the date of the Loan to the date of the sale.

SECTION 4.05. Obligations Not Affected by Remedies. No retaking of possession of the Equipment by the Secured Party, or any withdrawal, lease or sale thereof, nor any action or failure or omission to act against the Debtor or in respect of the Collateral or any part thereof on the part of the Secured Party, nor any delay or indulgence granted to the Debtor by the Secured Party, shall affect the obligations of the Debtor hereunder or under the Note.

SECTION 4.06. Remedies Cumulative; Subject to Mandatory Requirements of Law. The remedies in this Agreement provided in favor of the Secured Party shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity; and such remedies so provided in this Agreement shall be subject in all respects to any mandatory requirements of law at the time applicable thereto, to the extent such requirements may not be waived on the part of the Debtor.

ARTICLE FIVE
Application of Insurance Proceeds

SECTION 5.01. Insurance Proceeds. Any amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained in respect of the Equipment shall be held by the Secured Party as part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(a) so long as no Event of Default has occurred and is continuing, the proceeds of such insurance (other than proceeds in respect of an actual or constructive total loss of one or more Units of Equipment) shall, if the Unit of Equipment is to be repaired, be released to the Debtor in reimbursement for expenditures made for such repair, upon receipt by the Secured Party of a certificate of an author-

ized officer of the Debtor to the effect that any damage to such Unit of Equipment in respect of which such proceeds were paid has been fully repaired; and

(b) if the insurance proceeds subject to application under paragraph (a) above shall not have been released pursuant to the preceding subsection (a) within 180 days from the receipt thereof by the Secured Party, then so long as no Event of Default has occurred and is continuing to the knowledge of the Secured Party, such insurance proceeds shall be applied by the Secured Party as follows:

(i) first, all of such insurance proceeds up to a maximum amount equal to (A) the outstanding principal amount of the Note on the date of such application, divided by (B) the number of Units of Equipment subject to this Agreement on the date of such application, to the prepayment of the Note, together with accrued interest on the principal amount so prepaid. Each of the remaining installments, if any, of the Note shall be reduced in the proportion that the prepayment bears to the unpaid principal amount of the Note immediately prior to the prepayment; and

(ii) second, the balance, if any, after making the application provided for by the preceding clause

(i) shall be released to or upon the order of the Debtor on the date of such prepayment of the Note.

(c) Without regard to whether or not an Event of Default has occurred and is continuing, the proceeds of such insurance in respect of an actual or constructive total loss of any Unit of Equipment shall be applied by the Secured Party as follows:

(i) first, to the payment of an amount equal to the accrued and unpaid interest on that portion of the Note to be prepaid pursuant to the next succeeding clause;

(ii) second, with respect to each Unit of Equipment, an amount equal to the Loan Value (as hereinafter defined) of such Unit of Equipment for which settlement is then being made shall be applied to the prepayment of the Note so that each of the remaining installments of the Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Note immediately prior to the prepayment; and

(iii) third, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding clauses (i) and (ii) shall be released to or upon the order of the Debtor on

the date of payment of the amounts provided for in the preceding clauses (i) and (ii).

The term "Loan Value" in respect of any Unit of Equipment shall mean an amount equal to a fraction, the numerator of which is the unpaid principal amount of the Note immediately prior to the prepayment provided for in this SECTION 5.01(c) (after giving effect to the payment of any installment of principal made or to be made on the date of prepayment provided for in this SECTION 5.01(c)), and the denominator of which is the number of Units of Equipment then subject to this Agreement (including such Unit(s) of Equipment for which settlement is then being made).

ARTICLE SIX
Miscellaneous

SECTION 6.01. Power of Attorney. The Debtor hereby constitutes and appoints the Secured Party the attorney-in-fact of the Debtor with full power of substitution for the purposes of carrying out the provisions of this Agreement and in its name, place and stead to ask, demand, collect, receive, sue for and give acquittance for any and all rents, income and other sums which are assigned hereunder with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and in the discretion of the Secured Party to file any claim or take any other action, either in its own name or in the name

of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums of the security intended to be afforded hereby including, without limitation, in the Event of Default by the Debtor and the exercise by the Secured Party of its remedies pursuant to ARTICLE FOUR hereof, to execute a Bill of Sale with respect to any or all of the Equipment on behalf and in the name of the Debtor.

SECTION 6.02. Successors and Assigns. Whenever in this Agreement the Secured Party is referred to, such reference shall be deemed to include the successors and assigns of the Secured Party. All warranties, covenants and agreements by or on behalf of the Debtor which are contained in this Agreement and the Note shall inure to the benefit of the successors and assigns of the Secured Party.

SECTION 6.03. Modification, Amendment or Waiver. No modification, amendment or waiver of any provision of this Agreement, or consent to any departure by the Debtor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party. No notice to or demand on the Debtor in any case shall entitle it to any other or further notice or demand in the same, similar or other circumstances. Neither any failure nor any delay on the part of the Secured Party in exercising any

right, power or privilege hereunder shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise or the exercise of any other right, power or privilege.

SECTION 6.04. Severability. In the event any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

SECTION 6.05. Notices. All demands, notices and communications hereunder shall be in writing and shall conclusively be deemed to have been received by a party hereto and to be effective on the day on which delivered to such party at its address set forth below (or at such other address as such party specifies to the other party by a notice in accordance with the terms hereof), or, if sent by registered mail, on the third business day after the date on which mailed, addressed to such party at such address:

(a) If to the Debtor, at his address set forth next to his signature at the foot of this Agreement and marked to the attention of Stephen A. Mintz, Vice President; and

(b) If to the Secured Party, at its address at 55 Water Street, Suite 1822, Attention: Manager, Specialized Leasing, New York, New York 10087.

SECTION 6.06. Effect of Headings. The ARTICLE and SECTION headings herein are for convenience only and shall not affect the construction hereof.

SECTION 6.07. Applicable Law. This Security Agreement shall be construed in accordance with and be governed by the laws of the State of New York.

SECTION 6.08. Limitations of Liability. Notwithstanding anything to the contrary contained in this Agreement or the Note, or any certificate, opinion or document of any nature whatsoever executed in connection herewith or therewith, except for a certain letter agreement dated the date hereof between the Debtor and the Secured Party, the obligations of the Debtor hereunder and under the Note are limited recourse obligations; neither the Secured Party, nor the holder of the Note, nor the successor or assigns of any of said persons, shall have any claim, remedy or right to proceed (at law or in equity) against the Debtor in its individual capacity, or against any assets of the Debtor other than the Collateral, or against any partner (general or limited), officer, director, shareholder, agent or employee of the Debtor or of any partner (general or

limited) of the Debtor for the payment of any deficiency or any other sum owing on account of the Obligations or any part thereof or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever, from any source other than the Collateral; and the Secured Party by the execution of this Agreement and the holder(s) of the Note by acceptance thereof waive and release any personal liability of the Debtor in its individual capacity and any partner (general or limited), officer, director, shareholder, agent or employee of the Debtor or of any partner (general or limited) of the Debtor for and on account of such Obligations, and the Secured Party and the holder(s) of the Note agree to look solely to the Collateral, including the sums due and to become due under the Lease which are the subject thereof, for the payment or satisfaction of said Obligations; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party to accelerate the maturity of the Note upon a default under this Agreement; to bring suit and obtain a judgment against the Debtor on the Note (provided, that neither the Debtor in its individual capacity nor any partner (general or limited), officer, director, shareholder, agent or employee of the Debtor or of any partner (general or limited), of the Debtor shall have any personal liability on any such judgment and the satis-

faction thereof shall be limited to the Collateral and the sums due and to become due under the Lease which are the subject thereof, including any interest therein of the Debtor, but not to any other assets of the Debtor); or to foreclose the lien of this Agreement or otherwise realize upon the Collateral, including the right to proceed against the Lessee under the Lease upon the occurrence of an Event of Default thereunder.

IN WITNESS WHEREOF, the Debtor and the Secured Party have duly executed this Security Agreement, on the day and year first above written.

AMERICAN LEASING INVESTORS II
c/o Integrated Resources, Inc.
666 Third Avenue
New York, New York 10017

By: ALI Second Management
Services Corp.,
General Partner

By: Rohit Zelaynick

Its: asst. VP

CHEMLEASE WORLDWIDE, INC

By: Michael

Its: Senior Vice President

SCHEDULE A

<u>Number of Units of Equipment</u>	<u>Road Numbers</u>	<u>Equipment Description</u>
50	MILW 102250 through 102299, both inclusive	100 Ton, 4750 cubic foot, Covered Hopper, Cars

SCHEDULE 1

Month

1, commencing on February 1, 1981	\$149,661.37
2, commencing on March 1, 1981	\$151,656.86
3, commencing on April 1, 1981	\$153,678.95
4, commencing on May 1, 1981	\$155,728.00
5, commencing on June 1, 1981	\$136,262.00
6, commencing on July 1, 1981	\$116,796.00
7, commencing on August 1, 1981	\$ 97,330.00
8, commencing on September 1, 1981	\$ 77,864.00
9, commencing on October 1, 1981	\$ 58,398.00
10, commencing on November 1, 1981	\$ 38,932.00
11, commencing on December 1, 1981	\$ 38,932.00
12, commencing on January 1, 1982, and each Month thereafter, each such Month commencing on the first day of each calendar month thereafter, through Month 47, commencing on December 1, 1984	\$ 38,932.00

STATE OF New York)
COUNTY OF New York) SS.:

On this 20th day of January, 1981, before me personally appeared Robert Zalaynick, to me personally known, who, being by me duly sworn, says that he is a Asst. V.P. of ALI SECOND MANAGEMENT SERVICES CORP., which corporation is a General Partner of AMERICAN LEASING INVESTORS II, that said instrument was signed on behalf of said partnership by authority of the Board of Directors of said corporation, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Jeanette L. Sheehan
Notary Public

JEANETTE L. SHEEHAN
NOTARY PUBLIC, State of New York
No. 41-4500384 Qual. in Queens Co.
Cert. filed in New York County
Commission Expires March 30, 1981

My Commission expires:

[Notarial Seal]

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 20th day of January, 1981, before me personally appeared Thomas F. Michels, to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of ChemLease Worldwide, Inc., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing was the free act and deed of said corporation.

Dorothy A. Cioffi
Notary Public

DOROTHY A. CIOFFI
Notary Public, State of New York
No. 43-4653996
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires March 30, 19 81

My Commission expires:

[Notarial Seal]